

USAID/Regional Center for Southern Africa

Annual Report

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Regional Center for Southern Africa

Performance:

Background: Southern Africa stretches from Cape Point in the south to Lake Victoria in the north, and from the Islands of the Indian Ocean in the east to the shores of the eastern Atlantic in the west. It contains commercial quantities of almost all major minerals. While the level of development varies dramatically, the fourteen nations of the region share similar social, commercial and political cultures. Linguistically English is the dominant language. The citizens of the region think of themselves as Southern Africans as well as citizens of their home countries. A viable regional transport network exists although national level policy often restricts trade.

South Africa is by far the dominant nation generating approximately 70% of regional GNP. Other mid income nations in the region including Botswana, Mauritius, Seychelles, and Namibia have found profitable international niche markets. The very poor (Angola, Lesotho, Malawi, Mozambique, Tanzania, Zambia, Democratic Republic of Congo, and Zimbabwe) have the resources to achieve middle-income status.

The region achieved full majority rule in the early 1990s. The current struggle is to turn political independence into stable democracies with vibrant economies. As the US played a critical role in the achievement of majority rule, it now has a similarly important role in assisting Southern Africa in obtaining stable democracy with growing economies. The Initiative for Southern Africa is the instrument for that assistance.

Populations are small and disbursed. Many of the countries continue to be predominantly agricultural, with an estimated 70-80% of the population working in agriculture. A high percentage of the labor force survives on very low incomes from sporadic employment or economic activity in subsistence or informal sectors. Food shortages occur often, 2002 being the latest, many of those subsisting on less than \$1 per day (ranging from 36% in Zimbabwe to 64% in Zambia) are at risk.

That said, Southern Africa has relatively well-developed infrastructure and a diverse natural resource base. Economic growth has been sustained, and is improving; the weighted average growth rate rose from 2.4% in FY2002 to 3.1% in FY2003 (and to 3.6% if Zimbabwe is excluded). Most Southern African countries have undertaken significant economic reforms, including measures aimed at improving monetary and fiscal policies. The steady but less-than-exuberant response of national economies indicates, among other things, that the reforms were not completed (protectionism and overvalued exchange rates continue to hamper trade, for example).

The 14 member states of SADC are moving towards regional integration. In the past five years, with the assistance of the RCSA, they have negotiated and signed regional agreements, or Protocols, in the areas of trade, transport, telecommunications, energy, shared watercourse systems and corruption. These Protocols provide important frameworks for achieving coordination and harmonization of policies and strategies. However, the pace of ratification and implementation of protocols, particularly the SADC Trade Protocol, has been slow.

Southern Africa remains relatively peaceful compared to other sub-regions of Africa. Only two countries are currently experiencing significant internal conflict - Zimbabwe and the Democratic Republic of Congo (DROC), and the latter continues to strive for full cessation of hostilities. Political development in the region, however, is uneven. Executive branches dominate political processes and some presidents continue to try to hold onto power, even to the point of changing constitutions to allow more than two presidential terms. The upcoming set of seven national elections in 2004-2005 will demonstrate whether

or not fair and legitimate political transitions have become the rule rather than the exception.

Socially, Southern Africa has become the face of HIV/AIDS to the rest of the world. Botswana, Zimbabwe, Lesotho and Swaziland have the highest HIV infection rates in the world, and South Africa is home to more HIV-positive persons than any other nation. Over the next six years, most of these people will die. The epidemic is robbing Southern Africa of the resources and capacities upon which human security and development depend.

A recent analysis of likely trends in Southern Africa identified key factors to consider when creating programs for the region. They include: AIDS, governance, unemployment, economic inequalities, leadership change processes, water scarcity, youth demographics, urbanization/economic migration, and availability of small arms. Triggers for either positive or negative scenarios underlined the impact of spillover effects from one country to its neighbors, and highlighted the importance of South Africa as an anchor for the region.

A number of these challenges can best be addressed from a regional platform.

U.S. Interests and Goals: The U.S. has three main regional interests in Southern Africa. First, the U.S. is very concerned about the region's HIV/AIDS crisis and recurring bouts of food security problems. Second, the U.S. would like to increase trade and strengthen economic ties with the Southern Africa region. Finally, these economic and social interests fall under the broader U.S. objective of strengthening democracy and mitigating the tensions and impacts of conflict in the region.

Just as the development of a stable, democratic, and economically liberal region is the key to the development of Southern Africa, a dynamic regional program is essential to achieving US interests and goals. RCSA is embarking on a new strategy which builds on the strengths of the current strategy while correcting past weaknesses. The strategy addresses the major US interests listed above: AIDS, trade, and strengthening democracies (although USAID/South Africa manages the regional AIDS program, RCSA will ensure that its trade, agriculture, democracy and environmental programs incorporate both HIV/AIDS mitigation into their activities). RCSA will work closely with other U.S. government (USG) agencies to increase trade between the U.S. and Southern African countries. RCSA will address food security concerns directly through the agricultural and the trade programs, and indirectly through the river basin management program. In democracy, RCSA is focusing on electoral processes, political competition and protection of human rights because they are key elements in developing a culture of routine, stable and orderly transfer of political power.

Challenges: Going into 2003, the major challenge facing the region was the food security crisis brought on by the drought and complicated by actions of national governments. Although there were some bumps in the process, such as the refusal of several countries to receive genetically-modified organism (GMO) food and reported difficulties with distribution in Zimbabwe, the 14 million people in six countries who were deemed at risk of starvation, did not starve. Between governments, donors and commercial markets, the gap was essentially filled. Experts warn, however, that as such near-famines recur, the people at risk are increasingly close to the edge, having depleted their personal resources in the previous crisis.

RCSA reacted to the challenge of the food security crisis by redirecting agricultural funds to FEWSNET's rolling assessments of vulnerable populations and by supporting a biotechnology tour of African scientists to the U.S. and Europe. Moreover, the long-standing work in dissemination of drought-resistant varieties of basic food crops helped the millions of farm households that are planting these crops get safely through the crisis.

The food security crisis was worsened initially by the political situation in Zimbabwe, and then later on by the deteriorating economic situation in Zimbabwe.

In reference to dealings with Zimbabwe, RCSA has been a consistent supporter of the USG policies towards the Government of Zimbabwe. The regional program was adjusted to exclude direct involvement with the GOZ and its officials. This affected regional programs as some activities were curtailed, SADC

adjusted its relationships with the RCSA, and increased focus was given to how the policies of SADC member states can impact regional progress.

Under the old strategy, RCSA linked its programs to priority areas that SADC was addressing. This meant a geographically and substantively broad approach for its programs and close connections with SADC itself. Recently, however, SADC has not been willing to sign strategic objective agreements with the RCSA in response to the USG's policy toward Zimbabwe.

In the new strategy, RCSA has tightened its focus areas and will broaden its partner base. FY 2004 is the transition year between strategies, during which the mission will complete the implementation of the strategy that began in 1997, and put in place the activities for the new strategy. In FY 2005, the new strategy should be underway.

Key Achievements: FY 2003 was another year of solid achievement for RCSA programs. More important, SO achievements over the period of the strategy have consolidated into sustainable improvements and advances for the region across the board.

1. **Democracy and Governance:** Activities under this SO reflect the programs of the DG non-governmental organizations (NGOs) that RCSA has supported. The SADC Parliamentary Forum (SADC/PF) has become a leader in assessing national elections using the norms and standards that it developed; the Southern Africa Human Rights Trust's work in anti-corruption has made it a focal point in the campaign to get the Anti-Corruption Protocol ratified, and the Media Institute of Southern Africa has succeeded in organizing national chapters in 11 countries who are rallying behind the cause of media freedom. These and the other NGOs with whom RCSA has worked in the past five years have become stronger advocates of democracy in the region, and most have succeeded in obtaining other donor resources to continue their programs once USAID funds end.

Although activities under this SO were stalled for a few months in FY 2003, the momentum from prior years resulted in further advances in the anti-corruption and electoral norms and standards focus areas. Five more countries ratified the Anti-Corruption Protocol; it now only lacks two ratifications to be ratified and binding on SADC member states. Because there were no national elections in FY 2003, SADC/PF concentrated on promoting the internalization of its electoral norms and standards into national electoral codes. Botswana became the first SADC country to do so in December 2003.

2. **Regional Market Integration:** RCSA's SO to promote economic growth through trade has three components: trade, trade facilitation, and infrastructure. The Southern Africa Global Competitiveness Hub, launched in FY 2002, continues to be the hallmark economic growth activity of the RCSA trade and trade facilitation program. The Hub brings together technical resources from a variety of sources, including other USG agencies, in order to promote regional and international trade. Activities of the Hub will enable the countries of the region to take advantage of the opportunities created by the African Growth and Opportunity Act (AGOA), as well as other regional and international agreements.

The SO also seeks to increase efficiencies and lower costs in trade-related infrastructure, i.e. telecommunications, transport and electricity. Past achievements include opening the cellular phone market up to competition, creation of a Short-Term Electricity Market (STEM) for the Southern Africa Power Pool, and a pilot activity on the Trans-Kalahari Corridor that tested the SADC Customs Document and other streamlined Customs procedures in three countries at once.

In FY 2003, regional trade under the SADC FTA tripled (from \$35 million to \$124 million), and SADC exports to the U.S. under AGOA grew by \$760 million (from \$2 billion to \$2.76 billion). RCSA helped five countries obtain folkloric agreements for exporting handicraft products to the U.S. under AGOA, and through the Competitiveness Hub, began to assist firms seeking help with markets and investment partners. The difficult work of reaching agreement among Finance Ministers on harmonizing tax regimes and macroeconomic policies and targets advanced in several areas; such harmonization is crucial for attracting investment in agriculture and industry.

In energy, the Southern Africa Power Pool has opened up its membership to private sector power

producers, increasing potential for volume and flexibility and thereby bringing forward the day when STEM becomes a spot market. In telecommunications, the work of taking broad policy agreements and implementing them step by step is succeeding in lowering costs and increasing access for people at all levels. Finally, RCSA's support of the creation of two transit corridors (the Trans-Kalahari and the Dar es Salaam) with streamlined Customs procedures and harmonized road user policies (such as user charges and load weight policies) is expected to significantly cut costs and transit times in the very near future.

3. Natural Resources Management: This SO focuses on transboundary management of shared natural resources. RCSA's program has been instrumental in the creation of three transboundary natural resource management areas: 1) the Great Limpopo between South Africa, Mozambique and Zimbabwe; 2) Four Corners between Botswana, Namibia, Zambia and Zimbabwe; and 3) ZIMOZA between Zimbabwe, Mozambique and Zambia. The approach integrates governmental, technical and community interests in the management of these areas.

In FY 2003, all three activities concentrated on promoting the establishment of community based enterprises based on sustainable management on natural resources. Of the 11 such projects assisted in FY 2002 in the Great Limpopo, four began operations in FY 2003. Four Corners saw two projects come to fruition, and ZIMOZA, who is just beginning the process, is brainstorming and examining possibilities such as crocodile farming. Collaboration at the technical level is increasing: Great Limpopo completed joint management plans for two parks and has begun the operational planning for division of labor and revenues in the Great Limpopo Transfrontier Park. Similarly, in Four Corners, the Chobe Enclave Land Use Management Plan was completed, and the technical work on monitoring fish and wildlife corridors done.

4. Agricultural Technologies: RCSA's program in agriculture seeks to improve the economic condition of small farmers in Southern Africa by increasing commercial possibilities for basic food crops (other than maize) that are commonly grown by subsistence farmers. The process begins with increased production via higher yields using the improved drought resistant varieties of sorghum, pearl millet, cassava and sweet potato that the program disseminates. With increased production, the farmers have surplus that they can sell. Farmers have proven receptive to the improved varieties; of all the area planted in one of these four crops, one-quarter is now planted with these varieties in the target countries. The next step, increased commercialization, has been successful for the root crops, and was successful for the grain crops -- until the drought. The drought of 2001-2002 affected commercialization of the grains, since families chose to consume rather than sell their production. In that context, these drought resistant varieties have proven to be lifesavers. Per a recent field study, the increase in crop yields even in drought years meant that the families growing these varieties were considerably better off than they would have been trying to grow other varieties.

A renewed interest in support for high-value agricultural production has led to activities that facilitate agricultural exports to the U.S. RCSA has begun to provide assistance with the sanitary-phytosanitary procedures required by USDA before it allows agricultural products to enter the U.S., beginning with the four Pest Risk Assessments (PRAs) for Zambian products that were completed in FY 2003.

Other activities supported by RCSA include food security policy and preparation work by the Famine Early Warning System (FEWSNET), and Heartwater vaccine research and field-testing in preparation for commercialization. These are works in progress, i.e. the Heartwater vaccine for cattle is just now being field tested, and FEWSNET is currently transitioning from its valuable work during the food security crisis to the more medium objective of helping governments prepare for the next crisis.

Gender: As a regional mission, RCSA mainstreams gender into its program but currently has only a few activities with direct gender impact. One of them, the Engendering Parliaments activity managed by SADC/PF promotes gender equality in politics and decision-making. The Regional Women's Parliamentary Caucus is carrying out activities in the five countries that will hold elections in 2004 in support of at least 30% women representatives in parliament.

Also, under the environmental SO, some of the community based enterprises that were recently

established are providing economic opportunities for women, either as co-owners in craft workshops or employees in tourist lodges. The fact that the majority of people in these enterprises are women ensures high livelihood benefits to their communities.

Other Donors: According to a recent donor survey, the European Union (EU), USAID and the United Kingdom have the largest regional programs in economic growth and infrastructure; the United Kingdom and Denmark, in democracy and governance; the EU and Norway, in environment and natural resource management, and the EU, the United Kingdom and USAID in agriculture. The International Monetary Fund (IMF) works on anti-corruption initiatives, and the Department for International Development (DFID) of the United Kingdom is involved in electoral norms and standards. The World Bank is financing an expansion of the energy grid to Malawi and Tanzania, which should lead to further growth of the short-term electricity market that USAID helped establish. Germany (GTZ) and the World Bank Global Environmental Facility are supporting community enterprise activities and policy development in the Greater Limpopo management area. The economic growth areas in which USAID is working receive support from a number of donors, namely the EU, DFID, and GTZ in regional trade; the EU, World Bank and IMF, in economic and financial sector reforms; and the World Bank, EU, and DFID in Customs reform and administration.

Country Close and Graduation:

Results Framework

690-001 Increased Regional Capacity to Influence Democratic Performance

IR 1.1 Increased information sharing within the region

IR 1.2 Increased advocacy and other cooperation bringing regional experience to bear at national level

IR 1.3 Regional norms further defined by Southern Africans

690-002 A More Integrated Regional Market

SO Level Indicator(s):

Inflation convergence

Value of Intra-SADC trade (\$ million)

Wholesale price convergence (standard deviation of prices)

IR 2.1 Reduced barriers to broadened participation in the regional market

IR 2.2 More efficient provision of infrastructure

IR 2.2.1 RCSA sponsored operational infrastructure improvements used

IR 2.2.2 Private participation in service provision increased

IR 2.2.3 Regional policies adopted and regulatory frameworks and operational standards harmonized

IR 2.3 Advocacy for sustained regional integration strengthened

690-005 Create Capacity for More Informed Regional Decision Making

690-011 Broadened U.S.-SADC Cooperation

690-012 Increased Regional Cooperation in the Management of Shared Natural Resources

SO Level Indicator(s):

Conclusion of actions critical to the achievement of trans-boundary cooperation

Number of transboundary natural resource management areas established

IR 12.1 Viable Practices for sustainable management of shared natural resources adopted

IR 12.2 Policies, protocols and agreements enacted

IR 12.3 Organizations and institutions capable of effective regional intervention

IR 12.4 Ecological monitoring systems for decision making improved

690-013 Expanded Commercial Markets for Agricultural Technologies and Commodities in the SADC Region

SO Level Indicator(s):

Quantity of commodity sold to the commercial market (MT)

Quantity of improved seed sold in selected private sector markets (MT)

IR 13.1 Laws and Policies that increase Trade in Agricultural Technologies and Commodities Enacted

IR 13.2 Adoption of sustainable agricultural technologies and practices increased

IR 13.3 Private Sector participation in delivery systems for improved agricultural technologies

increased

IR 13.4 New sustainable agricultural technologies and practices developed

690-014 A More Competitive Southern African Economy

IR 14.1 Enhanced Policy and Regulatory Environment for Competition and Free Trade

IR 14.2 Strengthened Capacity of Targeted Clusters to Produce and Market Competitive Goods and Services

IR 14.3 Key Transaction Costs Reduced

690-015 Rural Livelihoods Diversified in Southern Africa

IR 15.1 Exports by emerging commercial farmers of high-value agricultural commodities increased

IR 15.2 Agricultural production in pilot vulnerable communities diversified

IR 15.3 Regional Coordination on Research and Policy Improved

690-016 Improved Electoral Competition in Southern Africa

IR 16.1 Increased accountability and transparency of electoral competition processes in the region

IR 16.2 Improved electoral processes through compliance with regional norms and standards

690-017 Improved Management of Selected River Basins

IR 17.1 Institutional Capacity Strengthened

IR 17.2 Improved Community Management of Critical Hydrological Areas